Max Sight Photo
名仕快相

Max Sight Group Holdings Limited
名仕快相集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8483)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM and generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

ANNUAL RESULTS HIGHLIGHTS

- The Group's revenue decreased by approximately HK$39,334,000, from approximately HK$59,313,000 for the year ended 31 December 2019 to approximately HK$19,979,000 for the year ended 31 December 2020.

- The Group's gross profit amounted to approximately HK$1,757,000 and HK$21,975,000 for the years ended 31 December 2020 and 2019 respectively, representing gross profit margin of approximately 8.79% and 37.05% respectively,

- The loss attributable to owners of the Company decreased by approximately HK$468,000, from approximately HK$4,946,000 for the year ended 31 December 2019 to approximately HK$4,478,000 for the year ended 31 December 2020. Although the gross profit of the Company significantly decreased due to the outbreak of the novel coronavirus and the immigration control since early 2020, the loss attributable to owners of the Company decreased mainly due to (i) increase in other income due to the COVID-19 related rental concession received; (ii) decrease in administrative expenses due to the funding support from the Employment Support Scheme; and (iii) no impairment of property, plant and equipment and right-of-use assets was recognised for the year ended 31 December 2020.

- An interim dividend of HK$0.005 per Share was paid on 18 September 2020. The Directors do not recommend to declare any final dividend for the year ended 31 December 2020.

ANNUAL RESULTS

The board of directors (the "**Board**") of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*2*	**19,979**	59,313
Cost of services		**(18,222)**	(37,338)
Gross profit		**1,757**	21,975
Other income	*3(a)*	**6,082**	505
Other net losses	*3(b)*	**(15)**	(160)
Administrative expenses		**(11,813)**	(13,524)
Impairment of property, plant and equipment and right-of-use assets	*7*	**–**	(11,663)
Loss from operations		**(3,989)**	(2,867)
Finance costs	*4(a)*	**(444)**	(553)
Loss before taxation	*4*	**(4,433)**	(3,420)
Income tax	*5*	**(45)**	(1,526)
Loss for the year		**(4,478)**	(4,946)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiary outside Hong Kong		**(364)**	(114)
Total comprehensive income for the year attributable to equity shareholders of the Company		**(4,842)**	(5,060)
Loss per share (Hong Kong cents)			
— Basic and diluted	*6*	**(0.56)**	(0.62)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**1,234**	843
Right-of-use assets		**8,027**	9,705
Deposits and prepayments	8	**1,612**	1,683
		10,873	12,231
Current assets			
Inventories		**420**	370
Trade receivables	8	**41**	1,186
Other receivables, deposits and prepayments	8	**1,404**	1,478
Tax recoverable		**319**	922
Cash and bank balances		**42,700**	54,159
		44,884	58,115
Current liabilities			
Other payables and accrued charges	9	**2,064**	2,976
Lease liabilities		**6,438**	8,834
Tax payable		**–**	2,098
		8,502	13,908
Net current assets		**36,382**	44,207
Total assets less current liabilities		**47,255**	56,438
Non-current liabilities			
Lease liabilities		**4,747**	5,157
Deferred tax liabilities		**109**	40
		4,856	5,197
NET ASSETS		**42,399**	51,241
CAPITAL AND RESERVES			
Share capital		**8,000**	8,000
Reserves		**34,399**	43,241
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**42,399**	51,241

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Max Sight Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 February 2018. Its ultimate and immediate holding company is Causeway Treasure Holding Limited ("**Causeway Treasure**"), an entity incorporated in the British Virgin Islands (the "**BVI**"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in Hong Kong is 14th Floor, McDonald's Building, 48 Yee Wo Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the "**Group**") are principally engaged in provision of photography services through automatic identity documentation ("**ID**") photo booths at different locations in Hong Kong and Guangdong Province, Mainland China.

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2020 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

2. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are provision of photography service through automatic ID photo booths at different locations in Hong Kong and Guangdong Province, Mainland China. Revenue represents the fair value of amounts received and receivable from provision of photography service by the Group to external customers, net of sales returns.

(b) Segment reporting

The Group manages its business by geography. In a manner consistent with the way in which information is reported internally to the Group's top management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the reportable segments.

— Photography services in Hong Kong

— Photography services in Mainland China

Revenue comprises solely photography service income.

For the purposes of assessing segment performance and allocating resources between segments, the Group's executive directors monitor the results and assets attributable to each reportable segment on the following bases:

Reportable segment profit represents profit before taxation by excluding head office and corporate expenses.

Segment assets include all current and non-current assets with the exception of cash and bank balances, deferred tax assets (if any) and other corporate assets.

Information regarding the Group's reportable segments as provided to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance for the year is set out below:

Segment results

	2020			2019		
	Hong Kong	**Mainland China**	**Consolidated**	Hong Kong	Mainland China	Consolidated
	HK\$'000	***HK\$'000***	***HK\$'000***	*HK\$'000*	*HK\$'000*	*HK\$'000*
Revenue	**18,513**	**1,466**	**19,979**	55,804	3,509	59,313
Reportable segment profit/(loss)	**4,264**	**752**	**5,016**	21,904	(13,244)	8,660
Head office and corporate expenses			**(9,449)**			(12,080)
Loss before tax			**(4,433)**			(3,420)
Interest income			**134**			419
Finance costs	**(356)**	**(88)**	**(444)**	(400)	(143)	(533)
Depreciation	**(9,483)**	**(15)**	**(9,498)**	(9,099)	(3,667)	(12,766)
Impairment of property, plant and equipment and right-of-use assets	**–**	**–**	**–**	–	(11,663)	(11,663)

Segment assets

	2020			2019		
	Hong Kong	**Mainland China**	**Consolidated**	Hong Kong	Mainland China	Consolidated
	HK\$'000	***HK\$'000***	***HK\$'000***	*HK\$'000*	*HK\$'000*	*HK\$'000*
Reportable segment assets	**11,966**	**717**	**12,683**	14,207	601	14,808
Cash and bank balances			**42,700**			54,159
Head office and corporate assets			**374**			1,379
Consolidated total assets			**55,757**			70,346

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments and deferred tax assets (if any). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the assets.

	Revenue from external customers		**Specified non-current assets**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**18,513**	55,804	**9,130**	10,548
Mainland China	**1,466**	3,509	**131**	–
	19,979	59,313	**9,261**	10,548

For the years ended 31 December 2020 and 2019, no single customer accounted for 10% or more of the Group's total revenue.

For the year ended 31 December 2020, the Group's two (2019: two) largest suppliers accounted for 100% of the Group's total purchases and the single largest supplier is Photo-Me International Plc. which accounted for approximately 87.2% (2019: 93.2%) of the Group's total purchases. Photo-Me International Plc. is also one of the substantial shareholders of the Company.

3. OTHER INCOME AND OTHER LOSSES

(a) Other income

	2020	2019
	HK$'000	*HK$'000*
Interest income	**134**	419
Sales of photo strips	**11**	86
COVID-19 related rent concessions received	**5,937**	–
	6,082	505

(b) Other net losses

	2020	2019
	HK$'000	*HK$'000*
Net exchange losses	**15**	160

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2020	2019
	HK$'000	*HK$'000*
Interest on lease liabilities	**444**	553

(b) Staff costs

	2020	2019
	HK$'000	*HK$'000*
Salaries, wages and other benefits#*	**7,509**	10,509
Contributions to defined contribution retirement plan	**357**	503
	7,866	11,012

(c) Other items

	2020	2019
	HK$'000	*HK$'000*
Auditors' remuneration	**1,320**	1,310
Depreciation	**9,498**	12,766
— property, plant and equipment#	**456**	2,567
— right-of-use assets#	**9,042**	10,199
Lease payments for short-term leases not included in the measurement of lease liabilities#	**279**	358
Variable lease payments not included in the measurement of lease liabilities#	**7,176**	20,230
Cost of inventories	**513**	1,286

Cost of services includes HK$17,260,000 (2019: HK$35,689,000) relating to staff costs, depreciation expenses and lease expenses, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

* In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund amounted to HK$1,318,000 as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5. INCOME TAX

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020	2019
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**–**	1,649
Over-provision in respect of prior years	**(24)**	(39)
	(24)	1,610
Deferred tax		
Origination and reversal of temporary differences	**69**	(84)
	45	1,526

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime in 2019.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5% in 2019.

The provision for Hong Kong Profits Tax for 2019 is taken into account a reduction granted by the Government of the Hong Kong Special Administrative Region of 75% of the tax payable for the year of assessment 2019–20 subject to a maximum reduction of HK$20,000 for each business.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the group companies sustained a loss during the year ended 31 December 2020.

Under the Law of the Mainland China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiary is 25% for both years. No provision for Mainland China income tax has been made in the consolidated financial statements as the Group sustained a loss during the years ended 31 December 2019 and 2020.

Mainland China tax law also imposed a withholding tax at 5%, unless reduced by a treaty or agreement, for dividend distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008.

Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. Provision for withholding tax is recognised for the dividends that have been declared and deferred tax liability is recognised for those to be declared in the foreseeable future. The Group did not recognise any withholding tax for the years of 2020 and 2019.

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK$4,478,000 (2019: HK$4,946,000) and the weighted average number of ordinary shares in issue during the year of 800,000,000 (2019: 800,000,000).

(b) Diluted loss per share

There were no diluted potential shares in existence during the years ended 31 December 2020 and 2019.

7. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the year ended 31 December 2020, in view of the loss and net operating cash outflow sustained by the Group, the management considered indicators of impairment of the property, plant and equipment and right-of-use assets existed at 31 December 2020 and performed an impairment assessment thereon. Based on the impairment assessment conducted by the management, no impairment loss was recognised on property, plant and equipment or right-of-use assets in profit or loss during the year ended 31 December 2020 (2019: impairment losses of HK$7,631,000 and HK$4,032,000 were recognised on property, plant and equipment and right-of-use assets respectively).

The recoverable amounts are determined based on the higher of value-in-use and the fair value less costs of disposal. The estimate of recoverable amount was based on a value-in-use calculation which adopted a discounted rate of 12.0% (2019: 12.6%).

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 ***HK$'000***	2019 *HK$'000*
Trade receivables	**41**	1,186
Other receivables, deposits, and prepayments		
Non-current assets		
Rental and utilities deposits	**1,612**	1,583
Prepayments and other receivables	**–**	100
	1,612	1,683
Current assets		
Rental and utilities deposits	**891**	913
Prepayments and other receivables	**513**	565
	1,404	1,478
Total	**3,016**	3,161

The Group grants credit terms of 0–20 days to its lessor of the sites to install automatic ID photo booths which holds money from customer on behalf of the Group. An ageing analysis of the trade receivables presented based on the monthly statement issued to the lessor at the end of the reporting period.

	2020	2019
	HK$'000	*HK$'000*
0–20 days	**41**	1,186

As at 31 December 2020 and 2019, the Group measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The Group only has one debtor. Due to the financial strength of this debtor and the short duration of the trade receivable, the allowance for expected credit losses is considered insignificant.

9. OTHER PAYABLES AND ACCRUED CHARGES

	2020	2019
	HK$'000	*HK$'000*
Accrued expenses	**1,432**	1,333
Salaries payables and provision for bonus	**558**	962
Other lease and licence fee payables	**38**	592
Other payables	**36**	67
Other tax payables	**–**	22
	2,064	2,976

10. DIVIDENDS

Dividend payable to equity shareholders of the Company attributable for the year:

	2020	2019
	HK$'000	*HK$'000*
Interim dividend was declared and paid of 0.5 Hong Kong cents per ordinary share (2019: 0.5 Hong Kong cents)	**4,000**	4,000
No dividend was proposed after the end of the reporting period (2019: Nil)	**–**	–
	4,000	4,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are principally engaged in provision of photography services through automatic ID photo booths at different locations in Hong Kong and Guangdong Province, the People's Republic of China (the "**Mainland China**").

Replicating the success of our business model in Hong Kong to the Mainland China and other countries by expanding our network of automatic photo booths through installing new photo booths in certain selected sites or business acquisition in the market are a part of our future development.

The Group attributed such deterioration in financial performance primarily to the sluggish revenue of the Group during the year ended 31 December 2020. The decline in result was mainly due to the outbreak of the novel coronavirus and the immigration control since early 2020 that have brought the significant decrease in the travel demand, and lead to the demand of ID photos decreased for the year ended 31 December 2020. The shortening of business hours and abrupt temporality closure of business for our licensed sites has happened during the year ended 31 December 2020. We consider that the decrease in the demand of ID photos during the year ended 31 December 2020 is temporary and the demand of ID photos will rise after the situation of novel coronavirus is improved.

In response to the difficult business environment, the Group has been closely monitoring the impact of the developments on the Group's businesses and has implemented contingency measures. The Group has also been negotiating with the various property owners to apply for the licence fee concessions and seeking for more favourable terms with vendors. Moreover, the Group has received certain subsidies from the Government of the Hong Kong Special Administrative Region. The Group will keep continuous attention on the situation of the novel coronavirus and react proactively to mitigate its impact on the financial position and operating results of the Group.

Due to the outbreak of the novel coronavirus, the continuous changes in the government policy for ID photos in the Mainland China and the business in the Mainland China and Hong Kong was adversely impacted by macro headwinds and uncertainty, we have taken time to reassess the existing projects including expansion of network of automatic ID photo booths and upgrading of validation centre and IT infrastructure and their implementation timetable. The meetings and the on-going schedules with our business partners and vendors are also postponed during the year ended 31 December 2020 and up to the date of this announcement due to the outbreak of the novel coronavirus.

In order to respond to the expectation from our customers, we engaged a vendor for upgrading our IT infrastructure including but not limited to the telemetry system and e-payment facilities. More than half of our photo booths in Hong Kong have installed an e-payment system during the year ended 31 December 2020.

In order to continue our business development, we are researching different potential projects to build up our business. Upgrading our business model by allocating further funds and resources in the IT infrastructure to achieve diversifiable development of our core business could be a new direction for the Group in the future.

We are committed to strengthen our core business and shall continue to capture market opportunities and expand our network of automatic photo booths. In addition, we will also actively conduct research and find new business opportunities to develop a diversified business, so as to achieve sustainable business growth and long-term benefits for the shareholders of the Company (the "**Shareholders**").

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$39,334,000, from approximately HK$59,313,000 for the year ended 31 December 2019 to approximately HK$19,979,000 for the year ended 31 December 2020. For the year ended 31 December 2020, the decrease in revenue was mainly due to the decrease in the demand of ID photos during the outbreak period of the novel coronavirus which is because of the significant reduction in the travel demand.

Cost of services

The Group's cost of services primarily consisted of (i) licence fees paid to lessors for the operational sites of our photo booths; (ii) staff costs in relation to photo booth attendants; (iii) photo booth consumables; (iv) depreciations; and (v) others. Our cost of services was mainly comprised of licence fees paid/payable and depreciation on right-of-use assets for premises of our photo booths, which accounted for approximately 85.29% and 80.74% of our total cost of services, for the years ended 31 December 2020 and 2019 respectively.

Gross profit and gross profit margin

The Group's gross profit amounted to approximately HK$1,757,000 and HK$21,975,000 for the years ended 31 December 2020 and 2019 respectively, representing gross profit margin of approximately 8.79% and 37.05% respectively, the decrease was mainly due to the sluggish revenue during the outbreak period of the novel coronavirus for the year ended 31 December 2020.

Other income

Other income mainly represented COVID-19 related rental concessions received, sales of photo strips and interest income. Detailed information is set out in the note 3(a) of this announcement.

Other net losses

Other net losses represented net exchange losses of approximately HK$15,000 and HK$160,000 for the years ended 31 December 2020 and 2019 respectively.

Administrative expenses

The Group's administrative expenses decreased by approximately HK$1,711,000, from approximately HK$13,524,000 for the year ended 31 December 2019 to approximately HK$11,813,000 for the year ended 31 December 2020. The decrease was mainly attributable to the decrease in travelling and entertainment costs and net-off the human resource expenses by the funding support from the Employment Support Scheme under the Anti-epidemic Fund by the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

Finance costs

Finance costs represented interest on lease liabilities of approximately HK$444,000 and HK$553,000 for the years ended 31 December 2020 and 2019 respectively.

Income tax expenses

Income tax expenses amounted to approximately HK$45,000 and HK$1,526,000 for the years ended 31 December 2020 and 2019 respectively.

Impairment of property, plant and equipment and right-of-use assets

During the year ended 31 December 2020, in view of the loss and net operating cash outflow sustained by the Group, the management considered indicators of impairment of the property, plant and equipment and right-of-use assets existed at 31 December 2020 and performed an impairment assessment thereon. Based on the impairment assessment conducted by the management, no impairment loss was recognised on property, plant and equipment or right-of-use assets in profit or loss during the year ended 31 December 2020 (2019: impairment losses of HK$7,631,000 and HK$4,032,000 were recognised on property, plant and equipment and right-of-use assets respectively).

Loss attributable to owners of the Company

The loss attributable to owners of the Company decreased by approximately HK$468,000, from approximately HK$4,946,000 for the year ended 31 December 2019 to approximately HK$4,478,000 for the year ended 31 December 2020. Although the gross profit of the Company significantly decreased due to the outbreak of the novel coronavirus and the immigration control since early 2020, the loss attributable to owners of the Company decreased mainly due to (i) increase in other income due to the COVID-19 related rental concession received; (ii) decrease in administrative expenses due to the funding support from the Employment Support Scheme; and (iii) no impairment of property, plant and equipment and right-of-use assets was recognised for the year ended 31 December 2020.

Segment information

An analysis of the Group's performance for the years ended 31 December 2020 and 2019 by geographical information is set out in the note 2(b) of this announcement.

Liquidity and capital resources

Our use of cash primarily related to operating activities and capital expenditure. We finance our operations through cash flows generated from our operations. As at 31 December 2020, the Group did not have any interest-bearing borrowings and therefore the gearing ratio is not applicable to the Group.

In managing our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of unexpected fluctuations in cash flows, sufficient bank and cash balance. The Group has built an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. We regularly monitor the repayment dates of financial liabilities, for example other payables and accrued charges, to match with financial resources available to us from time to time. The Group manages liquidity risk by maintaining adequate financial resources, including existing cash and bank balances and operating cash flows.

Capital expenditure

The capital expenditure for the years ended 31 December 2020 and 2019 were primarily related to expenditures on additions of property, plant and machinery, amounting to approximately HK$847,000 and HK$21,000 respectively.

Use of proceeds from the Company's share offer

The Company has received the proceeds from the share offer of 200,000,000 shares of the Company (the "**Shares**") at a price of HK$0.31 each on 28 February 2018 (the "**Listing Date**"). The gross proceeds from the share offer amounted to approximately HK$62,000,000 and the net proceeds was approximately HK$31,852,000. As at 31 December 2020, approximately HK$7,604,000 had been utilised, detailed information has been set out in the following table, prospectus of the Company dated 15 February 2018 (the "**Prospectus**") and the section headed "Use of proceeds from the Company's share offer and change in use of proceeds" in the announcement of the Company dated 10 May 2018 (the "**Announcement**").

The use of net proceeds from the share offer is set out as follows:

	Adjusted use of net proceeds as stated in the Announcement *(HK$'000)*	Actual utilised net proceeds up to 31 December 2020 *(HK$'000)*	Unutilised net proceeds up to 31 December 2020 *(HK$'000)*	Expected time of fully use of unutilised net proceeds
Expansion of network of automatic ID photo booths				
— Guangdong Province	29,381	6,652	22,729	31 December 2021
— Hong Kong	471	282	189	31 December 2021
Upgrading of validation centre and IT infrastructure	2,000	670	1,330	31 December 2021
Total	31,852	7,604	24,248	

The Company is currently exploring certain business opportunities in Guangdong Province and other provinces in the Mainland China and is having on-going discussions with Prestige Technology Company Limited and other operators to pursue the expansion plan of expanding our network of automatic ID photo booths.

Apart from automatic ID photo booth network expansion, we plan to upgrade our IT capability to cope with future business trend and customers demand. During the year ended 31 December 2020, we engaged a vendor for upgrading our IT infrastructure including but not limited to the telemetry system and e-payment facilities. We are also assessing the feasibility with some vendors to upgrade the validation systems and IT infrastructure in Hong Kong and Mainland China.

As a result of the outbreak of the novel coronavirus and continuous changes in the government policy for ID photos in the Mainland China and the business in Mainland China and Hong Kong was adversely impacted by macro headwinds and uncertainty, our business developments in Guangdong Province and Hong Kong were delayed during the year ended 31 December 2020 and up to the date of this announcement. We will also reassess the existing plans with an aim to achieve sustainable business growth and to bring long-term benefits for the Shareholders.

As at the date of this announcement, all of the unused proceeds were deposited in licenced banks in Hong Kong.

Foreign exchange risk management

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in Renminbi and HK$. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. The management considers that the exchange rate of Renminbi is subject to the rules and regulations of foreign exchange control promulgated by the Mainland China Government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

Significant investments

As at 31 December 2020 and 2019, the Group did not hold any significant investments.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

As at 31 December 2020 and 2019, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Pledge of assets

As at 31 December 2020 and 2019, the Group had no pledge of assets.

Contingent liabilities

As at 31 December 2020 and 2019, the Group did not have any significant contingent liabilities.

Subsequent events

The outbreak of the novel coronavirus was continuing since early 2020 which has brought about additional uncertainties in the photography services market and the Group's operating environment. The Group has been closely monitoring the impact of the developments on the Group's businesses and has implemented contingency measures. As far as the Group's businesses are concerned, the novel coronavirus outbreak has materially and adversely impacted on sales and may pose serious risk on employee's health, impact on the attendance rate of our service providers and higher administrative costs to be incurred for the purchase of cleaning and epidemic prevention equipments and consumables.

As the development and spread of novel coronavirus subsequent to the date of this announcement is uncertain, further changes in economic conditions for the Group arising thereof may have further impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will keep continuous attention on the situation of the novel coronavirus and react actively to its impact on the financial position and operating results of the Group.

Reference is made to the announcements of the Company dated 15 April 2019 and 25 February 2021. On 13 January 2021, Fullwise International Limited ("**Fullwise**"), an indirect wholly-owned subsidiary of the Company, submitted the formal tender documents to a government-related ID documentations issuing authority in Hong Kong ("**Lessor**") in relation to the provision of automatic photographic studio services at the Lessor's offices in Hong Kong for a period of 24 months with effect from 1 March 2021 ("**New Service Contract**"). On 19 February 2021, Fullwise received a letter from the Lessor which stated that Fullwise is unsuccessful in bidding the New Service Contract. The Group has requested the Lessor to provide further information on the result of the New Service Contract and the Directors are seeking professional advices on the bidding result.

Dividends

An interim dividend of HK$0.005 per Share (2019: HK$0.005 per Share) was paid on 18 September 2020. The Directors do not recommend to declare any final dividend for the year ended 31 December 2020. On 7 August 2020, the Directors have recommended to declare an interim dividend of HK$0.005 per Share for the six months ended 30 June 2020, totaling HK$4,000,000 out of the share premium account of the Company, and the recommendation has been approved by the Shareholders at the extraordinary general meeting held on 31 August 2020. The dividend has been paid and reflected as an appropriation of share premium for the nine months ended 30 September 2020.

In August 2019, the Directors resolved to declare an interim dividend of HK$0.005 per Share for the six months ended 30 June 2019, totaling HK$4,000,000.

Other details are set out in note 10 of this announcement.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. During the year ended 31 December 2020, the Company has complied with all applicable code provisions of the CG Code.

COMPLIANCE WITH THE REQUIRED STANDARDS OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions in the securities of the Company.

In response to specific enquiry made by the Company, each of the Directors gave confirmation that he complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Octal Capital Limited as its compliance adviser, which provides advices and guidance to the Company in respect of compliance with the GEM Listing Rules including various requirements relating to the Directors' duties. Except for the compliance adviser agreement entered into between the Company and the compliance adviser dated 8 July 2017, neither the compliance adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this announcement.

DIRECTORS', CONTROLLING SHAREHOLDERS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020, an associate of Mr. Riccardo Costi, a non-executive Director had interests in Dedem S.P.A. and its subsidiaries which are principally engaged in automatic ID photo booths operation and provision of auxiliary services to photo booths operation in Europe. As such, Mr. Riccardo Costi is regarded as having interests in the business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and the Shareholders and will avoid any potential conflicts of interests. During the year ended 31 December 2020, the Board was comprised of eight Directors (one executive Director resigned on 20 March 2020) including three independent non-executive Directors and all of them are audit committee members of the audit committee of the Company (the "**Audit Committee**"), so that the interests of the Shareholders can be properly maintained.

The Company is, therefore, capable of carrying on its businesses independently of, and at arm's length from, the businesses in which Mr. Riccardo Costi has declared interests.

Apart from the above-mentioned, during the year ended 31 December 2020, the Directors including the independent non-executive Directors, are not aware of any business or interest of the Directors, the management of the Company and their respective close associates (as defined) under the GEM Listing Rules that compete or may compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

FACILITY AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

On 11 July 2018, Max Sight Limited, a wholly-owned subsidiary of the Company, has entered into a credit facility agreement (the "**Facility Agreement**") with a licenced bank (the "**Lender**") for a loan facility in the aggregate amount of RMB5,300,000 which expired on 30 June 2019. On 23 July 2019 and 14 July 2020, Max Sight Limited received the confirmation letters issued by the Lender for renewal of the Facility Agreement which will expire until 30 June 2020 and 30 June 2021, respectively. The term loan facility shall be repayable in full in 13 months from the date of drawdown. As at 31 December 2020, such banking facilities have not been utilised.

Pursuant to the terms of the Facility Agreement, if the Chan's family including Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy and Ms. Au-Yeung Ying Ho ceased to be a majority ultimate beneficial shareholder of the Company, the Facility Agreement may be cancelled and repayment may be demanded by the Lender. As at the date of this announcement, Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy and Ms. Au-Yeung Ying Ho jointly hold approximately 53.45% of the entire issued share capital of the Company through Causeway Treasure Holding Limited.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee had, together with the management and external auditor, reviewed the accounting principles and policies adopted by the Group, the annual results and the consolidated financial statements for the year ended 31 December 2020.

PUBLICATION OF THE ANNUAL RESULTS AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maxsightgroup.com), and the 2020 Annual Report containing all the information required by the GEM Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

LANGUAGE

If there is any inconsistency between the English version of this announcement and the Chinese translation of this announcement, the English version of this announcement shall prevail.

By order of the Board
Max Sight Group Holdings Limited
Chan Wing Chai, Jamson
Chairman and Executive Director

Hong Kong, 19 March 2021

As at the date of this announcement, the executive Directors are Mr. Chan Wing Chai, Jamson and Mr. Chan Tien Kay, Timmy; the non-executive Directors are Mr. Cheung Kam Ting and Mr. Riccardo Costi; and the independent non-executive Directors are Mr. Ngai James, Mr. Hui Chi Kwan and Mr. Kwok Tsun Wa.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of publication and on the website of the Company at www.maxsightgroup.com.